Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network	))))	CC Docket No. 95-115

GTE's REPLY COMMENTS

GTE Service Corporation and its affiliated
domestic telephone operating companies

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SUMMARY

There is broad agreement that the new world created by competitive forces requires a reexamination of the maze of interrelated legal requirements and implicit or explicit subsidies created in the absence of competition. Thus, in its universal service proceeding (CC Docket No. 80-286), (i) the Commission asks for comment on at least some of the broad questions that must be addressed to develop policies suitable to a different world, and (ii) the thrust of the staff's proposals aim at diminishing the scope and burden of subsidies.

This proceeding, however, points in the opposite direction. Here, the Commission is proposing an increase in burdens borne uniquely by Local Exchange Carriers ("LECs" or "exchange carriers"). Action of this kind would exacerbate all the problems the Commission is trying to deal with in the universal service proceeding.

It is broadly agreed that concern with increasing subscribership levels -- already the highest in the world -- does not justify adding to the regulatory costs and burdens borne by LECs. The FCC should not adopt policies that: (i) prohibit exchange carriers from terminating local service for failure to pay interstate toll charges; (ii) require LECs to offer blocking services for interstate toll; (iii) require educational efforts beyond those a local service provider chooses to conduct; or (iv) expand or "streamline" the eligibility requirements for Lifeline and Link Up.. These actions would raise significant problems in terms of cost recovery and effectiveness.

In GTE's view, a cooperative and voluntary federal/state program directed at informing the public of available services and assistance programs would be constructive, and would avoid the pitfalls of increasing subsidy requirements just as the

ability to subsidize disappears. The proposals of the *Notice* would not be successful in significantly increasing subscribership and would involve costs far out of proportion to any supposed benefit.

The Commission should adopt no additional requirements in order to increase subscribership.

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GTE Service Corporation and its affiliated domestic telephone operating companies ("GTE") hereby offer their Reply Comments regarding the FCC's Notice of Proposed Rulemaking (the "*Notice*"), FCC 95-281 (released July 20, 1995), and comments filed in relation thereto, as follows.

The *Notice* concerns a variety of proposed measures designed to raise subscribership nationwide to even higher levels than what exists currently. In particular, the *Notice* asks comment on its proposals (i) to prohibit exchange carriers from disconnecting local service on account of the subscriber's refusal or failure to pay billings for interstate long-distance service (the "*Disconnection Prohibition*"); and/or (ii) to require exchange carriers to offer end users the capability for interstate toll blocking (the "*Interstate Blocking Requirement*"); and/or (iii) an increased educational requirement (the "*Educational Requirement*"); and/or (iv) modifying the Lifeline and Link Up support programs for low-income households (the "*Lifeline/Link Up Modifications*").

I. THE RECORD OF THIS PROCEEDING SHOWS THAT THE COMMISSION SHOULD IMPOSE NO NEW MANDATORY REQUIREMENTS.

A. The principles stressed by the Commission would be violated by the proposals of the *Notice*.

The *Notice* is grounded in the same essential purposes as those stated as guiding principles in the Commission's universal service proceeding, *i.e.*, that the design of regulatory mechanisms aimed at promoting universal service[1] must (1) be properly targeted, so that support is given only to those service providers or users who need assistance to maintain local service prices at an affordable level (the "*Targeting Principle*"); (2) promote efficient investment and operation and be technology-neutral (the "*Efficiency Principle*"); (3) avoid imposing excessive subsidy costs upon interstate carriers and ratepayers ("*Minimize Subsidy Burden Principle*"); (4) avoid depriving telecommunications users of the benefits of competition by imposing barriers to competitive entry into local telecommunications, or otherwise disrupting normal market forces (the "*Competitive Neutrality Principle*").

Speaking in very similar terms, the *Notice* favors (at para. 3) "narrow, targeted solutions to meet the needs of [unserved] consumers," and (at para. 7) "enhanc[ing] subscribership levels in a cost effective manner," and (at para. 15) adopting "universal service programs promoting subscribership [that] must be more sharply focused and directed at the specific causes of disconnection." As shown *infra*, the proposals of the *Notice* would violate all the Commission's criteria, however they might be enumerated or phrased.

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[1] Amendment of Part 36 of The Commission's Rules And Establishment of a Joint Board, Notice of Proposed Rulemaking and Notice of Inquiry, FCC 95-282 (released July 13, 1995) ("*Universal Service Notice*") at paras. 5-6.

B. The *Disconnection Prohibition* would not serve the public interest.

The *Notice* (at para. 30) seeks comment on prohibiting LECs from "disconnecting subscribers for failure to pay outstanding interstate long-distance charges because we expect that such action may increase subscribership nationwide."

At the outset, it is important to distinguish between this proposed *Disconnection Prohibition* and existing prohibitions against disconnection of local service for the end user's failure to pay for Below-the-Line ("BTL") services. Here the proposal affects not BTL but "ATL" (Above-the-Line) offerings. The *Disconnection Prohibition* prevents local service cut-off when LECs collect from end users delinquent tariffed charges for interstate long-distance service, *i.e.*, "communications service" as contemplated by the Communications Act of 1934.[2]

The federal agency in the past has focused on protecting the interstate ratepayer. The extraordinary nature of this proposal is that -- over and above its impact on intrastate services -- it would have the federal agency impose heavy costs on Interexchange Carriers ("IXCs") furnishing ATL interstate service, and these costs ultimately will fall on the interstate ratepayer. Thus, the *Notice* proposes FCC action directly opposite the interests of the customer for interstate services that are regulated by the FCC.

The declared purpose of this extraordinary proposal is to increase nationwide subscribership. It is demonstrated *infra* (i) that the *Disconnection Prohibition* is not likely to produce the increase in subscribership assumed in the *Notice*; and (ii) that the

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[2] 47 U.S.C. Section 151 *et seq.*

costs and burdens associated with such a measure would far exceed any conceivable benefit.

1. The record does not show that the *Disconnection Prohibition* would be effective in increasing subscribership.

The record does not substantiate the assumption of the *Notice* (at paras. 10-12) that the *Disconnection Prohibition* will lead to a discernible increase in subscribership. Evidence challenging this assumption is offered by the following parties:

(1) Sprint, which notes (at 6) that the FCC's own data shows many states allowing disconnection have a higher penetration rate than Pennsylvania.

(2) MCI (at 17), which discusses subscribership growth rates for states without a disconnection prohibition.

(3) NYNEX (at n.5), which points out: "According to the Commission's August 1, 1995 Telephone Subscribership Report, Nevada, Wyoming and New York have lower subscribership rates than the national average even though disconnection is prohibited. And there are 20 states which have subscribership levels exceeding the national average even though they do not prohibit disconnection of local service for nonpayment of long-distance charges."

(4) Pacific Bell at (16-17), which cautions against adopting "specific regulatory prescriptions based on fluctuating statistics."

(5) LDDS WorldCom ("LDDS") (at 6), which suggests, "there may be other explanations" for the penetration rates in Pennsylvania.

(6) Bell Atlantic (at 5), which points out that -- even though Delaware "has adopted a program similar to that in Pennsylvania," the Delaware subscribership rate "has remained flat under the program."

(7) Rochester (at 2), which (i) says New York suffered a "substantial decrease" in penetration in the two years after the New York regulatory agency (the "NYSDPS") adopted a disconnection prohibition, and (ii) warns that the few data points purporting to demonstrate an increase in subscribership "are completely insufficient information to justify the undertaking of a massive nationwide change in systems, practices and procedures at great expense."

(8) BellSouth (at 3), which not only does not support the "premise that subscribership levels can be increased by prohibiting disconnection of local service for non-payment," but maintains, "the facts would support a contrary conclusion" since very few customers are disconnected for nonpayment.[3]

(9) OAN (at 4), which observes that "[n]o `cause and effect' relationship has been shown," and further maintains that "even if a disconnection prohibition were a contributing factor, any increase in telephone subscribership would likely be relatively minor."[4]

(10) Finally, AT&T (at 3), maintaining that the *Notice* "appears to overstate seriously the degree to which interstate long distance charges affect subscribership," says:

> There is no persuasive evidence that customers' inability to pay interstate long distance charges -- as opposed to the combination of charges for local basic service, local features, local toll calling and in-state long-distance calling -- accounts for disconnection of customers' telephones to a significant extent.

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[3] *See also* MCI at 14.

[4] *See also* Southwestern Bell at 16, Ameritel at 3-4, and AT&T at 8.

Among the commenters observing that no single action can be effective is the Pennsylvania commission ("the Pa PUC") (at 6-7), which "does not support a federally mandated selective disconnection policy" because, among other reasons, a state regulatory agency is "in the best position to structure the optimal mix of policies."[5] The Pa PUC fails to mention the huge costs associated with its policies, discussed *infra*, other than to note (at 6) that its staff "spends considerable time assisting customers with payment arrangements and enforcing the Pa PUC's policies" and that "local exchange carriers have also demonstrated a commitment to work with our Commission."[6]

The Iowa commission ("IUB") (at 3) also opposes a federal mandate, explaining (at 1-2) that "penetration rates vary due to market, socio-economic, religious, and other reasons"[7] and predicts a state-by-state approach will allow the country to "efficiently increase penetration."

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5 *Emphasis added.*

6 Through its own efforts, GTE has reduced the number of Pennsylvania customers disconnected for failure to pay charges owed. GTE disconnected 32 percent fewer residential customers in 1994 than in 1993. *See* Pa PUC report entitled "Consumer Services Activity Report - Telephone Utilities - July 1995" (the "1995 CSAP Report") at 31-32.

7 An overwhelming mass of evidence shows that the reasons for parties to not purchase telephone service are numerous and complex. MCI at 4-5: "[P]eople have made choices to stay off the network for many reasons. These reasons include, but are not limited to, high mobility, lack of perceived utility (*e.g.*, chronically unemployed), lack of awareness of low cost services, the myth of large deposit requirements, and the spending of discretionary income on items of greater gratification (*e.g.*, television sets and cable television services.)" Similarly, U S WEST (at 2) says, "People may have a variety of reasons for not directly subscribing to telephone service, including many involving private decisions beyond the purview of legitimate federal interest."

MCI (at 18) concurs, stating that "there is no evidence that demonstrates that a policy which has proven effective in one state would benefit other states with different economic, demographic, and political conditions."

And Bell Atlantic (at 5) says its experience with a variety of subscribership efforts in the states it serves "demonstrates that no one solution is appropriate nationwide."[8]

GTE joins this mass of parties that, from many perspectives, challenges the *Notice*'s assumption that the proposed *Disconnection Prohibition* would be effective in increasing subscribership.

2. The *Disconnection Prohibition*, if adopted, would generate an enormous increase in costs for all service providers -- costs that ultimately would have to be covered by all customers, including the poor.

The filings of GTE and many other service providers demonstrate the enormous costs that would be associated with adopting the proposed *Disconnection Prohibition*. The upshot would be a massive violation of the FCC's own *Minimize Subsidy Burden Principle*.

Thus, implementation and on-going administration of the *Disconnection Prohibition* would require a multiple-balance billing system, with differing treatment parameters for different services. This would be costly to create and administer. Specifically:

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8 GTE agrees with LDDS (at 5) that, because such a policy would apply to interstate services alone, exchange carriers will retain the ability to disconnect local service for non-payment of intrastate toll and other charges in the vast majority of states, thereby rendering a federal prohibition ineffective. *See also* Sprint at 7 and Southwestern Bell at 15.

(1) In Pennsylvania, Bell Atlantic (at 4) says its "administrative costs have risen more than $24 million per year."

(2) In New York, Rochester (at 4) was required "to make major modifications to its billing, collection, treatment and cash systems, costing several millions of dollars and taking several years to implement."

(3) In California, Pacific Bell (at 19) "cannot accurately predict" its expenses because the specific requirements are not known, but it "conservatively" estimates an increase of "over $22 million annually" for the additional personnel needed to administer multiple balance billing.

(4) In Texas, MCI (at 16) says exchange carrier and IXC estimates filed with the Public Utility Commission predicted that the industry would spend "between $134 and $179 million during the first year of implementation" of a proposed disconnection prohibition.

(5) The Indiana commission (at 4) "is concerned about the cost of implementing" multiple balance billing.

(6) Finally, GTE (at 35-36) showed it has experienced an annual increase in payroll expense of over a half million dollars just to provide sufficient staff to meet the Pennsylvania requirements. This amount does not include the initial costs of revising billing systems, treatment procedures or employee training.

Further, another level of cost increases would arise from recurring losses due to uncollectible revenues (bad debts), which would certainly increase. Specifically:

(1) In Pennsylvania, Bell Atlantic (at 4) maintains it has experienced an increase of "nearly 400%." In confirmation, MCI's filing (at 15) says MCI's "bad debt percentage in Pennsylvania is more than double that of any other state in which Bell

Atlantic performs billing and collection for MCI." GTE says (at 36) the uncollectible level in Pennsylvania "has averaged about double the level" found in other states where GTE serves. OAN says (at n.1) that, in some instances, "OAN customers have seen recent bad debt levels of over 25% in Pennsylvania."

(2) In California, Pacific Bell (at 18) "conservatively estimate[s] a $75 million increase in IXC net bad debt" associated with its billing services.

(3) In New York, MCI (at 15) says that, when the *Disconnection Prohibition* came into effect in New York, "the three largest IXCs experienced increases in uncollectibles ranging from 1.63 percent to 2.28 percent."

(4) In Texas, MCI (*id.*) stresses that the estimated "annual incremental increase in net bad debt expense would reach $45 million" if the *Disconnection Prohibition* were adopted.

(5) In Florida, industry representatives testified that "between two and six times the current debt percentage" would result if there were no disconnect authority.[9]

(6) Overall, OAN "has found that, in states that do not permit disconnection for nonpayment of long distance charges, <u>the amount of bad debt has virtually doubled</u>."[10]

(7) Competitive Telecommunications Association ("CompTel") (at 3) says, "[T]he proposed rule would increase, perhaps dramatically, the incidence of nonpayment of interstate charges by subscribers who pay their bills today." Saying (at 4), "the proposed rule would increase the bad debt expense which IXCs and their

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[9] BellSouth (at 3-4).

[10] OAN at 3.

ratepayers must absorb," CompTel (at n.4) adds: "It is no answer to suggest that IXCs pursue collection actions against individual non-paying subscribers. In many cases, the cost of prosecuting such actions more than outweighs the likely recovery, if any, from the subscriber."

The foregoing record substantiates that the proposed *Disconnection Prohibition*, if adopted, **would impose cost increases on the exchange carriers and the IXCs in the order of hundreds of millions of dollars each year**. These enormous cost increases would ultimately reach all subscribers, including those who are poor.

3. Any claimed benefits of the *Disconnection Prohibition* would be far less than the resulting increase in costs for all service providers.

The primary beneficiaries of the proposed *Disconnection Prohibition* would be those individuals that seek to abuse the system -- by, for example, what is known as "carrier-hopping." That such abusive behavior is a grave problem is evidenced by the following:

(1) Sprint (at 7) describes its experience with "individuals who currently take advantage of a state's policy [*Disconnection Prohibition* as to toll charges] by running up a substantial bill with one long distance carrier, not paying, then switching to another such carrier," thereby "visiting losses on multiple carriers."

(2) Competitive Telecommunications Association (at 3), opposing the *Disconnection Prohibition*, says it would allow "unscrupulous subscribers [to] `game' the system by jumping from one IXC to another without paying their bills, secure in the knowledge that, even if caught, they would not lose their local exchange service." Further evidence of "carrier-hopping" is furnished by LDDS (at 7), US WEST (at 6-7), and GTE (at Attachment C).

(3) MCI (at 15) expects the *Disconnection Prohibition* "would send the wrong signals to subscribers, providing disincentives for payment of charges knowingly incurred and likely inviting abuse."

(4) Telecommunications Resellers Association ("TRA") (at 2) issues similar warnings of reinforcing "irresponsible use of long-distance service at the expense of long-distance carriers."

To recover the resulting cost increases, service providers would have only two choices: (i) reduce shareholder value, or (ii) increase the rates paid by all customers. Because it is indispensable for a competitive corporation to maintain access to the capital markets on terms that are both competitive and fair, the only viable near-term choice typically would be to increase prices by a percentage sufficient to recover the bad debt. This means customers who honor their obligations would bear the burden of the higher operating costs created by abusers and would share the cost of the increased bad debt load.

In summary: It has not been shown that the proposed *Disconnection Prohibition* will produce a perceptible increase in subscribership; while it has been shown conclusively *supra* that adoption of the *Disconnection Prohibition* would generate an enormous increase in both initial and ongoing costs. The net impact of adopting such a proposal would necessarily be the imposing of cost far in excess of any conceivable value. Inasmuch as Commission action adopting the *Disconnection Prohibition* would violate the *Efficiency Principle* and the *Minimize Subsidy Burden Principle*, the Commission must reject the proposal.

4. If the FCC adopted the *Disconnection Prohibition*, it would be a public policy fiasco that would work to the grave disadvantage of customers for both interstate and intrastate telecommunications services.

The comments of a wide range of parties, discussed *supra*, show that adoption of the *Disconnection Prohibition* would be a public policy fiasco. The costs would be immense -- in terms of implementation and dramatically increased uncollectibles -- while it cannot be assumed that it would produce any benefits whatever. GTE is one of many voices stressing these points, and GTE speaks based on direct experience, since it operates in Pennsylvania where a form of disconnection prohibition has been in effect since the mid-1980s.

In GTE's view, any improvement in penetration in Pennsylvania was achieved at very heavy cost in uncollectibles, and in terms of costly and burdensome implementation and ongoing administration. For residential customers in Pennsylvania, GTE's uncollectibles over the years since 1985 have increased from less than one percent prior to enactment of the *Disconnection Prohibition* to between four and five percent in the most recent three years. The ultimate effect of this policy imposes costs on all customers for both interstate and intrastate service far greater than any conceivable benefit.

The Pa PUC repeatedly[11] states that GTE did not present its experience and views on the *Disconnection Prohibition* to the Pa PUC before presenting them to the FCC. One statement on this point is the following:

> "It is ... unfortunate that [GTE] would choose this forum to air its grievances rather than to first bring whatever facts and concerns it may

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[11] Pa PUC at 4, 7, 8, 9, 10 and 11.

have before [the Pa PUC] where they could be properly scrutinized and remedied, if necessary."[12]

GTE did not choose the FCC as a "forum" in which to "air its grievances." The FCC is proposing a plan largely modeled on Pennsylvania's regulations. This plan would have far-reaching nationwide adverse consequences for GTE as well as numerous other carriers. These consequences are far greater than what was at stake in Pennsylvania alone, where GTE has roughly 446,000 residential access lines. GTE has more than twelve million residential access lines nationwide, which would be affected by the FCC's adoption of the *Disconnection Prohibition*. In view of this threat, GTE (along with other carriers) has exercised its constitutional right to speak in defense of its interests.

Further, Pa PUC was fully informed of increasing GTE uncollectibles by virtue of GTE's annual filings with the Pa PUC -- as required by the agency's rules. These annual filings reflected dramatic increases in GTE uncollectibles. The Pa PUC's close and continuing review of these data on uncollectibles is reflected in the 1995 CSAP Report, prepared by the staff of the Pa PUC. The 1995 CSAP Report paid specific attention to matters involving the uncollectibles of GTE and other exchange carriers.[13] Indeed, the 1995 CSAP Report (at 31) says: "The Bureau encourages GTE to explore what additional improvements the company can make to reduce arrearages." Finally,

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[12] *Id.* at 4.

[13] The report mentions GTE's uncollectible/arrearage figures at 8, 29-32, 34-36, and 38.

the company's uncollectibles problem was discussed in GTE's Advanced Credit Management tariff filing.[14]

Statements of GTE (and other carriers) stressing the unfortunate consequences of the *Disconnection Prohibition* could not have come as a surprise to Pa PUC in view of the foregoing. GTE expects to address these matters at length in the ongoing Pennsylvania proceeding proposing to eliminate outmoded and unnecessary regulation.[15]

Accordingly, GTE urges the Commission to disregard Pa PUC's claims that GTE's submission lacks validity merely because GTE presented it to the FCC -- as invited by the *Notice* -- without first presenting it to the Pa PUC.

Pa PUC's reply comments are permeated with the assumption that it is quite clear-cut and simple for the companies to separate for disconnection purposes interstate and intrastate charges. "[T]echnology now allows companies to selectively disconnect those services specifically associated with the outstanding balance." *Id.* at 9. GTE's comments demonstrate (at 18-24) that this is far too quick and easy an assumption. Because of technical reasons, and because of a carrier's responsibilities (in the event of a claimed emergency, for example), any solution focused on "selective

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[14] Docket No. R-0043268, letter of J. O. Dudley filed December 9, 1994, waiver filed September 8, 1995. The Executive Summary for this 1994 tariff filing says: "During the past few years, GTE has experienced a negative trend in uncollectible dollars. Factors contributing to the increase in uncollectible billings are subscription fraud, ineffective credit management tools and collection processes. Unchecked, the growth trend in uncollectible debts will equate to additional lost revenue to GTE and higher service costs to GTE's established base of customers."

[15] Advanced Notice of Proposed Rulemaking To Review And Rescind All Obsolete and Excessive Regulations, Docket No. L-950103.

disconnection" of interstate service separately from intrastate service would be immensely expensive and vulnerable to large-scale evasion.

Further, the Pa PUC states (at 9) that its policies "relegate the LEC's collection tactics to the same status as any other business." Pa PUC does not consider it "legitimate" to terminate service of a delinquent customer "for nonpayment of a completely separate and unrelated service provided by another carrier." *Id.* at 10.

By its nature, telecommunications involves connecting points that are widely separated geographically. When a telephone call is placed from Pennsylvania to Los Angeles, or vice versa, or from Pennsylvania to London, or vice versa, a series of carriers (at least two, usually more) are involved in furnishing the facilities/services, as well as the critical related function of collecting the charges -- typically from the originating party. This is not the same as a LEC collecting a bill for items purchased at Sears, or even collecting a bill for unregulated Customer Premises Equipment or unregulated Pay-Per-Call services. This is a process concerned with the efficient provision of telecommunications furnished by common carriers. The uncollectible level of less than one percent -- which was where GTE stood in Pennsylvania before Pa PUC adopted the *Disconnection Prohibition* -- would today work to the benefit of all customers, interstate and intrastate, since it would reduce the need for outside financing of all participants in the communications process.

Pa PUC's policy adopts an approach that fragments the process to the disadvantage of all customers, interstate and intrastate. Instead of permitting a cooperative process involving virtually all carriers with regard to the provision of regulated interstate and intrastate service on an efficient basis, Pa PUC does not seem to recognize this efficiency -- thereby doubling and tripling and quadrupling uncollectibles. Under the Pa PUC policy, the important advantage of efficient operation and collection is simply eliminated, without being passed on to any other legitimate party.

In any case, the universe of (supposed) beneficiaries is no more than one or two percentage points of the residential population.[16] Then, as observed by Pa PUC,[17] the great majority of this group pays its bills on time. So it is only a small ratio of the one or two percent that "benefits" by being able to delay payment, or avoid payment entirely -- if that can be considered a benefit. While this is a sizable number of people, we must remember that the rest of the population is far more sizable. A proposal to impose a policy that -- for the ostensible benefit of a relatively few people -- works to the serious disadvantage of everyone in the nation who uses the telecommunications network should bear the burden of showing that this benefit is legitimate and important. No such showing is part of the record of this proceeding.

There is no benefit to anyone in adopting regulations that could allow members of the public to evade payment for the services they consume by IXC-hopping, by false medical emergencies, by a variety of tactics employed in manipulating network signals. Public policy should promote responsible behavior; it should not reward irresponsible behavior. It should lead citizens toward taking ownership of their own actions --

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[16] As pointed out by GTE at iv, an increase in penetration in the order of one or two percentage points is the best that could be expected by virtue of the *Disconnection Prohibition*. But the record of this proceeding, discussed *supra*, throws into serious doubt whether even this increase is likely. And any increase in penetration would be offset by the greater costs that will ultimately fall on the public.

[17] Pa PUC at 5: "While there will always be some customers who will attempt to game or manipulate the system to their advantage, we believe that these customers are in the minority."

specifically, paying for what they consume, and not consuming what they have no intention of paying for.

In summary: The FCC should not adopt the *Disconnection Prohibition*, which works to the serious disadvantage of both interstate and intrastate customers.

C. The proposed *Interstate Blocking Requirement* would be unnecessary, ineffective and costly.

The *Notice* (at 18) considers requiring only LECs to "provide, at reasonable cost, interstate long-distance restriction services." The record shows that such a requirement: (i) is unnecessary; (ii) would be very costly to develop and implement; and (iii) would not achieve the intended purpose.

Comments show that an interstate-only long distance blocking service is unnecessary because exchange carriers already offer affordable restriction services. BellSouth (at 6), Cincinnati Bell (at 8), GTE (at 19 and Attachment B), Southwestern Bell (at 17-18), NYNEX (at 7), US WEST (at 6), and Sprint (at 13) all describe existing toll blocking options that restrict both interstate and intrastate long distance, as well as other services used for operator-handled calls.[18] Such services are not limited to large exchange carriers, but are prevalent throughout the local exchange industry.[19]

GTE (at 21-22) and Southwestern Bell (at 19-20) also describe new and innovative call-control services that are triggered insofar as possible by a frequent

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18 *See also* Pacific Bell (at 23-26) describing its impending implementation of two forms of toll blocking, and its existing offerings for operator-handled calling.

19 *See* Telephone Electronics Corporation ("TEC") at 4, TDS at 5, NTCA at 10 and n.7, Missouri PSC ("Mo PSC") at 3, and Florida PSC at 3.

comparison of a customer's current monthly bill amount and a predetermined maximum amount.[20]

Moreover, an interstate-only long distance blocking service would have limited effectiveness in reducing the number of subscribers disconnected for failure to pay for long distance services. Cincinnati Bell (at 9) clearly describes the fatal flaw in the Commission's proposed mandatory interstate-only blocking service: A "customer calling in-state can accumulate as much in toll charges as someone calling out-of-state."[21] GTE (at 23-24) also discussed the numerous "loopholes" in various toll blocking and operator screening services that can be exploited by an individual determined to evade network-based restriction attempts.

This industry testimony is confirmed by the Florida PSC (at 3), which says that the "success of voluntary long-distance blocking and call control services is contingent upon the willingness of individual customers to restrict and manage their calling habits."

Further, an interstate-only long distance blocking service would be very costly to develop and implement. Rochester (at 7) confirms that it "could not develop [the interstate-only blocking capability] without expending a great deal of time and money."[22] As GTE explained (at 25-27), the need to examine each call dialed on a 1+ basis to determine the appropriate jurisdictional nature is the primary cause of the increased costs.[23]

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[20] GTE (at n.31) described the major limitation of the system as the availability of frequent long-distance charge data from IXCs.

[21] *See also* TDS at 5, Sprint at 12-13, and PaPUC at 11.

[22] *See also* Cincinnati Bell at 9, TEC at 4-5, TDS at 5, MCI at 19-20, and AT&T at 6.

[23] *See also* BellSouth at n.14 and IUB at 3.

In summary: Long distance blocking services already available are more effective than the Commission's proposed interstate-only service, which would be very costly to develop and implement. The Commission should abandon any thought of a mandatory interstate-only long distance blocking service, since such a requirement would not be cost-effective or an efficient means of increasing subscribership -- thus violating the *Efficiency Principle*.

D. The Lifeline and Link-up assistance programs should not be changed to include schools and libraries, or to adopt streamlined eligibility certification procedures.

The *Notice* (at para. 36) asks for comment on extending the Lifeline program to "certain multi-line entities such as schools and libraries," and (*id.* at para. 52) considers adopting "streamlined certification procedures to determine eligibility" of Lifeline and/or Linkup.

1. The Lifeline program should not be expanded to include schools and libraries.

The Lifeline program was specifically designed to assist network connection by low income households. It should not be expanded to include public institutions such as schools and libraries.[24] As NYNEX (at 9) says, "state and local governments should have the primary responsibility for providing schools and other educational institutions with the funds that they need to access the National Information Infrastructure, including the Internet."[25]

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[24] *See* MoPSC at 5, GTE at 48-49, Pacific Bell at 29, and Southwestern Bell at 11.

[25] *See also* Pacific Bell at 29.

Moreover, expanding the current program would violate the *Competitive Neutrality Principle* because it would continue to rely on subsidies hidden within the prices charged only by exchange carriers.[26] Increasing buried subsidies would not be compatible with a competitive policy.[27]

If the Commission determines that federal governmental intervention is necessary to provide telecommunications funding for entities such as schools and libraries, GTE agrees with Time Warner (at i) that "it should not transform the present program in order to accommodate these institutions. Rather, a new and distinct program should be tailored to fit the specific needs and requirements of these entities."

This support should be explicitly funded from general federal tax revenues, or alternatively, from the broadest possible base of contributors.[28] Funding must not be buried within the prices charged by only a subset of local service providers, *i.e.*, exchange carriers. As perceptively observed by IUB (at 4): "The FCC should also consider broadening the scope of carriers that support Lifeline/LinkUp."

2. Proof of eligibility for Lifeline should continue to be required.

GTE supports the availability of Lifeline assistance to low income individuals, and the use of any reasonable measure to ensure that eligible individuals make use of available assistance programs. However, GTE opposes elimination of a means test, or

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26 *See* GTE at 49-50 and Southwestern Bell at 8-9.

27 According to a recent report, thirty-one states have affirmatively decided to allow competition for local service, and another eleven are considering the issue. *See* "Common Carrier Bureau Releases Common Carrier Competition Report," Report No. CC 95-98, October 11, 1995, at 4.

28 *See* NYNEX at 9.